

Massachusetts Health Reform

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Agenda

- Background – Mass. health reform's origins
- Shared responsibility
- Role of the Connector
- Health coverage in the Commonwealth today
- Challenges ahead

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Background -- The Origins of Health Reform

- 500,000+ uninsured adults (roughly 8% of MA residents)
- \$385M in federal \$\$, per year, at stake
- History of creative approaches to health coverage expansions
- "Universal coverage" ballot initiative narrowly defeated in 2000 and another ballot initiative looming in fall 2006
- Bi-partisan, multi-year effort
- Broad coalition of business, labor, low-income advocates, insurers & providers

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Health Reform's Building Blocks

- Generous Medicaid program
 - 1115 Waiver
- Uncompensated Care Pool
- Highly regulated small group and non-group (individual) health insurance markets
- Solid base of employer-sponsored insurance

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Why So Much Attention?

- Ambitious goal: Near universal coverage
- Transcends ideology
 - Bipartisan support
 - Combines policy "solutions" from the right and the left
 - Partnership between federal and state governments, and among disparate interests
- Novel, multi-faceted approach

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Shared Responsibility

- Individual mandate and creditable coverage
- New employer requirements
- Expansion of public programs
- Changes to commercial insurance market

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Individual Mandate

- All adult residents of the Commonwealth required to maintain health coverage, with certain exceptions
- Connector Board establishes what constitutes "minimum creditable coverage" (MCC) for most adults
- Tax penalty for not having insurance:
 - \$219 (loss of personal exemption) in 2007
 - As much as \$912 in 2008 (half the cost of lowest-priced plan)
 - Over \$1,000 in 2009
- Affordability waiver based on age and income

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Many Forms of "Creditable" Coverage

- Medicare Part A or Part B -- Part D not required;
- MassHealth (state's Medicaid program);
- TriCare;
- Qualified Student Health Insurance Plans (QSHIP) and Young Adults Plans;

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Creditable Coverage (cont.)

- Indian Health Services or a tribal organization's health plan;
- Federal employees health benefits plan (FEHBP);
- Peace Corps health benefits plan; and
- As determined by the Connector Board

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Connector Board's Version of Minimum Creditable Coverage (MCC)

- "Broad range of medical benefits" (e.g., preventive and primary care, hospitalization, ambulatory services, prescription drugs, mental health services)
- Deductible maximum -- \$2,000 (individual) / \$4,000 (family)
- If there's a deductible -- preventive care provided pre-deductible
- Separate Rx deductible maximum -- \$250 (ind.) / \$500 (family)

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Connector Board's MCC (cont.)

- If plan has deductible or co-insurance on core benefits (i.e., physician services, inpatient acute care, day surgery, and diagnostic procedures and tests)
 - \$5,000 / \$10,000 out-of-pocket max
- No annual or per-illness limits
- No "flat" fee-schedules
- Federal HDHP/HSA-compliant plans allowed

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2008 Affordability Schedule

Individuals		Couples		Families	
Annual Gross Income Range	2008 Premium	Annual Gross Income Range	2008 Premium	Annual Gross Income Range	2008 Premium
\$0 - \$15,412 (15%)	\$0	\$0 - \$21,612 (15%)	\$0	\$0 - \$24,412 (15%)	\$0
\$15,413 - \$28,808 (20%)	\$39	\$21,613 - \$28,808 (20%)	\$78	\$24,413 - \$35,208 (20%)	\$78
\$28,809 - \$38,816 (25%)	\$77	\$28,809 - \$38,816 (25%)	\$154	\$35,209 - \$44,816 (25%)	\$154
\$38,817 - \$51,212 (30%)	\$116	\$38,817 - \$51,212 (30%)	\$232	\$44,817 - \$52,412 (30%)	\$232
\$51,213 - \$57,500 (35%)	\$165	\$51,213 - \$57,500 (35%)	\$327	\$52,413 - \$70,000 (35%)	\$353
\$57,501 - \$67,500 (40%)	\$220	\$57,501 - \$67,500 (40%)	\$436	\$70,001 - \$90,000 (40%)	\$550
\$67,501 - \$82,500 (45%)	\$330	\$67,501 - \$82,500 (45%)	\$660	\$90,001 - \$110,000 (45%)	\$792
> \$82,501	n/a	> \$82,501	n/a	> \$110,001	n/a

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Employer Responsibilities

- "Fair and reasonable" contribution
- Section 125 (tax sheltering) requirement
- Non-discrimination of offer
- Dependent coverage expanded to 26
- Health Insurance Responsibility Disclosure forms

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Expansion of Public Programs

- Medicaid expansions and program restorations
- Changes in Uncompensated Care Pool rules
- Establishment of Commonwealth Care -- subsidized insurance for lower-income adults without access to subsidized insurance (e.g., Medicare, Medicaid, ESI), and with family income of 300% FPL or less:
 - \$32,490 -- individual
 - \$66,150 -- family of four

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Changes to Commercial Health Insurance Market

- Pre-Reform -- separate small group and non-group (individual) risk pools and rating

CY 2005	Small Group	Non-Group
Members	~750,000	~50,000
Avg. Claims PMPM	\$262	\$375
MLR	86%	91%

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Non-Group Market Options Enhanced

- Highly regulated non-group market with two plan designs:
 - High deductible (\$5,000), or
 - First-dollar coverage
- Since July 2007, small and non-group markets merged
- 37-year-old Boston resident pre-reform
 - \$5,000 deductible, no Rx
 - Monthly premium = \$335
- 37-year-old Boston resident post-reform
 - \$2,000 deductible with Rx
 - Monthly premium < \$200

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Role of the Health Connector

- Regulate
 - Minimum Creditable Coverage
 - Affordability exemptions
 - Section 125 rules
- Administer
 - Commonwealth Care program, publicly-subsidized insurance for low-income adults without ESI
- Facilitate
 - Purchase of health insurance ("Connector") by small groups and individuals

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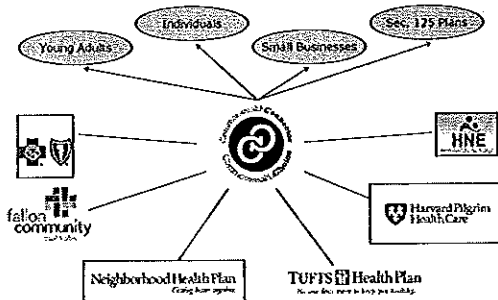
Facilitate the Purchase of Insurance

- Structure choice for individuals and small groups
 - Four types of plans, grouped according to actuarial value:
 - Gold
 - Silver
 - Bronze
 - Young Adults Plans
- Section 125 option for employers
 - Employees choose from multiple carriers and variety of plans
 - Employers receive one invoice

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The Role of the Connector in Commercial Insurance



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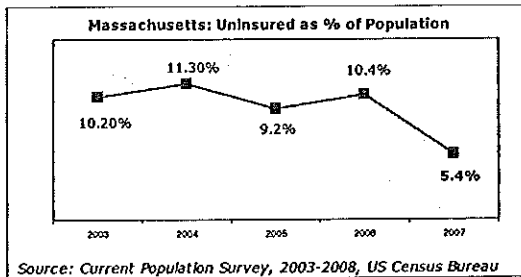
Current State of the Commonwealth

- 439,000 newly-insured since July 2006 -- sharp decline in rate of uninsured
- 191,000 more in private coverage (no direct public \$\$)
- Employer-sponsored insurance remains predominant source of coverage
 - 82% of non-elderly covered through ESI
 - Nearly three-quarters of employers offer ESI
- Non-group premiums cut by 40% and membership up more than 80%

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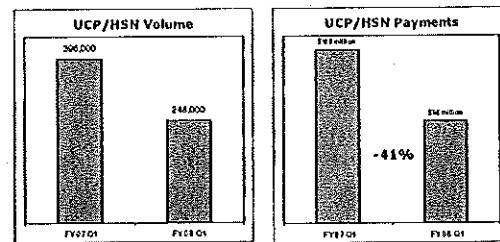
Steep Decline in Uninsured



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Drop in Free Care Pool Use and Costs

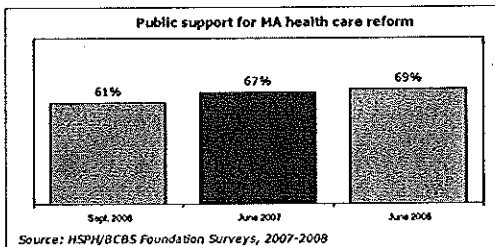


- UCP: Uncompensated Care Pool
- HSN: Health Safety Net

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Support for Reform Remains Strong



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Many Challenges Ahead

- Can growth in health care costs be slowed?
- Will free care pool usage and costs continue to decline?
- Can crowd-out be avoided...or at least minimized?
- Will the public accept the reality -- and the consequences -- of the individual mandate and the tougher MCC standards?
- Will higher tax penalties incent "young invincibles" to purchase insurance?

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Many Challenges Ahead

- Will employers stay engaged and comply with new responsibilities?
- Will more individual purchasers use Section 125 plans, helping to reduce net cost of insurance?
- Will the Connector's commercial insurance market establish critical mass?
- Will higher deductibles and greater cost-sharing be accepted in the Massachusetts market?

